

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

**Item #26 (Rev. 1)
Agenda ID 14153
RESOLUTION E-4731
August 13, 2015**

R E S O L U T I O N

Resolution E-4731. Pacific Gas & Electric (PG&E) requests approval on an after-the fact basis for cost overrun of sixteen completed Electric Rule 20A overhead to underground conversion projects.

PROPOSED OUTCOME:

- The Commission grants exemption for the cost overrun of sixteen completed conversion projects. PG&E's shareholders will bear the cost of the \$24.5 million cost overrun.
- Advice Letter 4553-E is approved.

SAFETY CONSIDERATIONS:

- This request has no safety implication.

ESTIMATED COST:

- PG&E shareholders will pay the \$24.5 million cost overrun for sixteen Rule 20A projects. There is no cost impact to the ratepayer.

By Advice Letter 4553-E, Filed on December 18, 2014.

SUMMARY

On December 18, 2014, PG&E filed AL 4553-E to request approval on an after-the-fact basis for its shareholders to pay for the \$24.5 million of cost overrun for sixteen completed Rule 20A overhead to underground conversion projects.

No protests were received.

This resolution approves PG&E's AL 4553-E, because the approval would serve the best interest of the ratepayers, and be consistent with the policies underlying Resolution E-4001 and PG&E's GRC (A.09-12-020). The \$24.5 million of cost overrun will be borne by PG&E shareholders and have no impact on ratepayers.

BACKGROUND

Under Electric Rule 20A, PG&E annually allocates work credits to communities to convert overhead electric facilities to underground. The communities may either bank their annual allocations, or borrow an amount equal to its estimated allocations for the next five years.

On January 6, 2000, the CPUC opened Rulemaking (R.) 00-01-005 to develop a uniform Rule 20A borrowing policy among utilities. The Commission ruled that "once a city has established a master undergrounding plan and identified specific projects, it may spend its accumulated allocations plus an amount equal to its estimated allocations for the next five years." (Decision (D.) 01-12-009, p.22)

The Commission directed utilities to file advice letters if they needed exemptions from the 5-year borrowing limit.

On August 24, 2006, the Commission issued Resolution E-4001 requiring utilities to:

- Request Commission approval before borrowing more than five years of a community's Electric Rule 20A allocations. Excess costs not approved by the Commission, will be paid either by pre-arranged community funds or by the utility shareholders.
- File Advice Letters for exemption from the 5 year cap no later than three months before the date construction begins except where the excess costs result from unanticipated conditions encountered during construction.

PG&E has discovered that, due to an inadvertent error in its Rule 20A administration, 16 projects have been completed at a cost in excess of the communities' Rule 20A allocations plus 5-years' borrowing. The excess costs for these projects did not receive prior CPUC approval.

On May 5, 2011, D.11-05-018 approved PG&E's 2011 General Rate Case (GRC) settlement and authorized "grandfathered" treatment of six communities in PG&E's service territory to exceed the 5-year allowable borrowing period. However, PG&E personnel misunderstood this authorization and allowed an additional sixteen projects to borrow forward more than 5 years without prior authorization from the Commission.

PG&E discovered this error and submitted AL 4553-E for an after-the-fact approval of the 16 Rule 20A projects that have already been completed.

The completed projects are forecast to "overrun" by approximately \$24.5 million. Although the existing pool of unused Rule 20A allocations is adequate to fund the sixteen Rule 20A overrun projects described in Advice Letter 4553-E, PG&E has decided to use shareholder funds to pay for these costs for two reasons: first, to reflect the fact that the overrun occurred as a result of PG&E's own error, however inadvertent; and second, to ensure that other customers are unaffected by the error.

Since discovering this issue, PG&E has examined its Rule 20A project governance and has identified several controls to prevent future overruns. The project controls are simultaneously being applied to both new projects as well as projects currently under construction.

NOTICE

Notice of AL 4553-E was made by publication in the Commission's Daily Calendar. PG&E states that a copy of the Advice Letter was mailed and distributed in accordance with Section 4 of General Order 96-B.

PROTESTS

There were no protests received for AL 4553-E.

DISCUSSION

Resolution E-4001 intends to provide all customers in a community to have a fair chance to participate in overhead conversion projects. The Commission may approve project cost over-runs that can't be avoided due to unanticipated conditions encountered during construction and deny exemption requests of

projects having foreseeable project cost over-runs. Since this was an inadvertent error from PG&E, ratepayers shouldn't be affected by PG&E's oversight and its shareholders should bear the \$24.5 million cost overrun.

COMMENTS

This is an uncontested matter in which the resolution grants the relief requested. Accordingly, pursuant to PU Code 311(g) (2), the otherwise applicable 30-day period for public review and comment is being waived.

FINDINGS

1. On December 18, 2014, PG&E filed AL 4553-E requesting approval on an after-the-fact basis for cost overrun of \$24.5 million for sixteen completed Electric Rule 20A overhead to underground conversion projects.
2. No protests were received.
3. Pursuant to PU Code section 311(g)(2) the 30-day comment period for Draft Resolutions is being waived.
4. Under Electric Rule 20A, PG&E annually allocates work credits to communities to convert overhead electric facilities to underground. The communities may either bank their annual allocations, or borrow an amount equal to its estimated allocations for the next five years.
5. PG&E has discovered that, due to an inadvertent error in its Rule 20A administration, 16 projects have been completed at a cost in excess of the communities' Rule 20A allocations plus 5-years' borrowing. The excess costs for these projects did not receive prior CPUC approval.
6. PG&E discovered this error and submitted AL 4553-E for an after-the-fact approval of the 16 Rule 20A projects that have already been completed.
7. The completed projects are forecast to "overrun" by approximately \$24.5 million.
8. PG&E has decided to use shareholder funds to pay for these costs for two reasons: first, to reflect the fact that the overrun occurred as a result of PG&E's own error, however inadvertent; and second, to ensure that other customers are unaffected by the error.

THEREFORE IT IS ORDERED THAT:

1. The request of PG&E to approve on an after-the-fact basis for its shareholders to pay for the \$24.5 million of cost overrun for the sixteen completed Electric Rule 20A projects is approved.
2. The AL 4553-E is approved.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on August 13, 2015; the following Commissioners voting favorably thereon:

TIMOTHY J. SULLIVAN
Executive Director